

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3067-01
BILL NO.: Perfected HB 1443
SUBJECT: Tax and Revenue-Sales and Use: Conservation Dept.
TYPE: Original
DATE: February 23, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$125,426,019) to (\$125,526,019)	(\$196,537,004) to (\$196,637,004)	(\$205,297,179) to (\$205,397,179)
School District Trust	(\$41,808,673) to (\$41,908,673)	(\$65,512,335) to (\$65,612,335)	(\$68,432,393) to (\$68,532,393)
Conservation	(\$5,226,084) to (\$5,326,084)	(\$8,189,042) to (\$8,289,042)	(\$8,554,049) to (\$8,654,049)
Parks and Soil	(\$4,180,868) to (\$4,280,868)	(\$6,551,233) to (\$6,651,233)	(\$6,843,239) to (\$6,943,239)
Total Estimated Net Effect on <u>All</u> State Funds	(\$176,641,644) to (\$176,741,644)	(\$276,789,614) to (\$277,789,614)	(\$289,126,860) to (\$290,126,860)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 6 pages.

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ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	(\$62,713,010) to (\$62,813,010)	(\$98,268,502) to (\$98,368,502)	(\$102,648,590) to (\$102,748,590)

FISCAL ANALYSIS

ASSUMPTION

Sales tax exemption for all admissions fees charged for hunting or taking of domestically raised pheasants, partridges, quail and ungulates on shooting areas licensed by the Missouri department of conservation, and all sales of feed and equipment used in the domestic production of pheasants, partridges, quail and ungulates by holders of a class I wildlife breeders permit issued by the Missouri department of conservation.

Officials of the **Department of Conservation, Department of Agriculture** and the **Department of Revenue** state this proposal would not administratively impact their agencies. This legislation exempts bird hunting fees and certain purchases of feed and equipment for birds from sales and use taxes. Officials of these agencies assume the revenue impact of this proposal is a minimal unknown loss to state and local sales tax funds.

Oversight assumes this proposal would have a negative unknown impact to the General Revenue Fund, School District Trust Fund, Conservation Fund and Parks & Soil Fund as well as local governments since sales tax revenues would decrease. However, the fiscal impact to all funds involved is expected to be less than \$100,000 and is reflected as a range for fiscal note purposes.

Officials from the **Office of Administration - Budget and Planning** did not respond to our request for fiscal impact.

Sales tax exemption for all merchandise for use in the final disposition of a dead human body and all sales of merchandise for use in or in connection with a funeral, burial or cremation service for a dead human body including coffins, caskets, urns, burial vaults, grave monuments and grave markers.

Officials of the **Department of Revenue (DOR)** state the proposal would exempt the sale of all items used in the final disposition of a dead human body or in the connection with a funeral, burial or cremation service from sales and use taxes.

ASSUMPTION (continued)

Taxable sales for businesses in the SIC category "726-Funeral Service and Crematories" in FY 98 were \$108,925,594. An inflation rate of 2.5% is assumed for subsequent fiscal years. Similar proposals from this year and 1999 were limited to sales of coffins, caskets, burial cases and burial vaults, and subsequently, only a fraction (80%) of the sales in SIC category 726 were excluded from sales tax in the estimate. However, this proposal includes all items necessary for disposition of a human body so 100% of the SIC category sales are considered excluded from sales and use tax.

Oversight assumes the fiscal impact would not occur until October 1, 2000. This is because the law would go into effect August 28, 2000, and a one month lag is assumed. This would result in eight months of fiscal impact in FY 2001. Estimates are based on 1998 sales data.

Sales tax exemption for purchases of all clothing, including footwear but excluding jewelry, which is intended to be worn on a person if any such article of clothing purchased has a retail value of less than five hundred dollars.

Officials of the **Office of Administration (COA)** state they have no data that would indicate what percent of total sales are for items costing under \$500. They estimated the annual consumer spending in Missouri on clothing and shoes based on U.S. Personal Consumption Expenditures for Clothing and Shoes. COA staff assumes Missouri represents 1.9% of U.S. totals. COA staff estimate taxable sales for FY2001 to be \$6,154,000,000, FY 2002 to be \$6,431,000,000, and FY 2003 to be \$6,720,000,000.

The revenue estimate for FY 2001 is based on 8 months of the year, since the effective date of this section is October 1, 2000, and a 1 month lag is assumed. No adjustment was made for the \$500 cap. No adjustment was made for any incentive effect this proposal might have on spending habits.

In response to a similar proposal, officials of the **Department of Revenue (DOR)** state this legislation would exempt sales tax due on clothing have a "taxable value" of five hundred dollars.

ADMINISTRATIVE IMPACT: The Department of Revenue would need to notify all businesses about this law change to insure it is implemented correctly. This mailing to approximately 127,000 accounts would cost .33 each, including the notification brochure, or \$41,910. The Division of Taxation would also require programming changes in the MITS system to eliminate sending billings to those who report sales but do not collect sales tax. This would be accomplished with 173 overtime programming hours at approximately \$25.57 per hour or

ASSUMPTION (continued)

\$4,424. The State Data Center would also charge \$1,126 for implementation and testing.

Oversight, in a previous proposal had based the fiscal impact on the Standard Industry Code (SIC) code-56; however, **Oversight** is compelled to rely on the data from other sources because SIC code-56 did not include some retail establishments which sold clothing and other items, such as discount stores and department stores. **Oversight**, for purposes of this fiscal note, has reflected the loss in sales tax revenue based upon the estimate provided by the Office of Administration and the actual impact similar legislation had on other states. Since this proposal is a permanent exemption, Oversight assumes the DOR could absorb the costs necessary for implementation.

This proposal would result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Loss</u> - hunting birds and feed	(unknown)	(unknown)	(unknown)
<u>Loss</u> - merch. for dead body disposal	(\$2,346,019)	(\$3,607,004)	(\$3,697,179)
<u>Loss</u> - clothing and shoes	<u>(\$123,080,000)</u>	<u>(\$192,930,000)</u>	<u>(\$201,600,000)</u>
ESTIMATED NET EFFECT	(\$125,426,019) to	(\$196,537,004) to	(\$205,297,179) to
ON GENERAL REVENUE FUND	<u>(\$125,526,019)</u>	<u>(\$196,637,004)</u>	<u>(\$205,397,179)</u>

SCHOOL DISTRICT TRUST FUND

<u>Loss</u> - hunting birds and feed	(unknown)	(unknown)	(unknown)
<u>Loss</u> - merchandise for dead body disposal	(\$782,006)	(\$1,202,335)	(\$1,232,393)
<u>Loss</u> - clothing and shoes	<u>(\$41,026,667)</u>	<u>(\$64,310,000)</u>	<u>(\$67,200,000)</u>
ESTIMATED NET EFFECT ON	(\$41,808,673) to	(\$65,512,335) to	(\$68,432,393) to
SCHOOL DISTRICT TRUST	<u>(\$41,908,673)</u>	<u>(\$65,612,335)</u>	<u>(\$68,532,393)</u>

CONSERVATION FUND

<u>Loss</u> - hunting birds and feed	(unknown)	(unknown)	(unknown)
<u>Loss</u> - merchandise for dead body disposal	(\$97,751)	(\$150,292)	(\$154,049)

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FISCAL IMPACT - State Government
(continued)

FY 2001
(10 Mo.)

FY 2002

FY 2003

<u>Loss</u> - clothing and shoes	<u>(\$5,128,333)</u>	<u>(\$8,038,750)</u>	<u>(\$8,400,000)</u>
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ESTIMATED NET EFFECT ON CONSERVATION FUND	(\$5,226,084) to (\$5,326,084)	(\$8,189,042) to (\$8,289,042)	(\$8,554,049) to (\$8,654,049)
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PARKS AND SOIL FUND

<u>Loss</u> - hunting birds and feed	(unknown)	(unknown)	(unknown)
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<u>Loss</u> - merchandise for dead body disposal	(\$78,201)	(\$120,233)	(\$123,239)
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<u>Loss - clothing and shoes</u>	<u>(\$4,102,667)</u>	<u>(\$6,431,000)</u>	<u>(\$6,720,000)</u>
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ESTIMATED NET EFFECT ON PARKS AND SOIL FUND	(\$4,180,868) to (\$4,280,868)	(\$6,551,233) to (\$6,651,233)	(\$6,843,239) to (\$6,943,239)
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FISCAL IMPACT - Local Government

FY 2001
(10 Mo.)

FY 2002

FY 2003

POLITICAL SUBDIVISIONS

<u>Loss</u> - hunting birds and feed	(unknown)	(unknown)	(unknown)
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<u>Loss</u> - merch. for dead body disposal	(\$1,173,010)	(\$1,803,502)	(\$1,848,590)
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Loss - clothing and shoes	(\$61,540,000)	(\$96,465,000)	(\$100,800,000)
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ESTIMATED NET EFFECT ON	(\$62,713,010) to	(\$98,268,502) to	(\$102,648,590) to
POLITICAL SUBDIVISIONS	(\$62,813,010)	(\$98,368,502)	(\$102,748,590)

FISCAL IMPACT - Small Business

Small businesses would be expected to be fiscally impacted to the extent that they purchase equipment and feed used in producing certain kinds of birds, are in a business related to the disposition of dead human bodies, or are in the retail clothing business.

DESCRIPTION

This proposal exempts from state and local sales and use taxes all admission fees charged for the hunting and taking of certain game birds on licensed shooting areas and all sales of feed and

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DESCRIPTION (continued)

equipment used in the production of certain game birds by licensed wildlife breeders. This proposal also exempts from state and local sales and use taxes all merchandise for use in the final disposition of a dead human body and all sales of merchandise for use in or in connection with a funeral, burial or cremation service for a dead human body including coffins, caskets, urns, burial vaults, grave monuments and grave markers. This proposal also exempts from state and local sales and use taxes all clothing, including footwear but excluding jewelry, which is intended to be worn on a person if any such article of clothing purchased has a retail value of less than five hundred dollars.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration
 Budget and Planning
Department of Conservation
Department of Agriculture



Jeanne Jarrett, CPA
Director
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